iX Biopharma Ltd.

(Company Registration No. 200405621W)

UNAUDITED FINANCIAL STATEMENTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 31 MARCH 2018

1(a)(i) A statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group 3 months ended			Group 9 months ended		
	31.03.18 S$'000	31.03.17 S$'000 (Restated)#	Incr/(Decr) %	31.03.18 S$'000	31.03.17 S$'000 (Restated)#	Incr/(Decr) %
Revenue	1,451	1,492	(3)%	4,877	4,594	6%
Cost of sales	(1,312)	(964)	36%	(3,668)	(3,031)	21%
Gross profit	**139**	**528**	(74)%	**1,209**	**1,563**	(23)%
	10%	*35%*		*25%*	*34%*	
Other income	199	868	(77)%	1,038	1,845	(44)%
Expenses						
- Research and development	(1,605)	(1,905)	(16)%	(4,715)	(3,835)	23%
- Sales and marketing	(507)	(271)	87%	(1,496)	(713)	110%
- General and administrative	(1,607)	(1,741)	(8)%	(4,951)	(4,651)	6%
- Others †	(885)	(366)	142%	(1,695)	1,496	n.m.
- Finance expense	(67)	(62)	8%	(201)	(180)	12%
Total expenses	(4,671)	(4,345)	8%	(13,058)	(7,883)	66%
Loss before income tax	**(4,333)**	**(2,949)**	47%	**(10,811)**	**(4,475)**	142%
Income tax credit	34	54	(37)%	90	130	(30)%
Loss for the financial period	**(4,299)**	**(2,895)**	48%	**(10,721)**	**(4,345)**	147%
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Currency translation differences arising from consolidation						
- Gain / (Loss)	402	(111)	n.m.	529	(251)	n.m.
Total comprehensive loss	**(3,897)**	**(3,006)**	30%	**(10,192)**	**(4,596)**	122%

Note

Certain laboratory testing costs incurred by the Group for its research & development (R&D) works had been previously reported as part of Cost of Sales. In the current year presentation, these costs have been reclassed and reported as R&D Expenses instead of being part of Cost of Sales. This provides a more complete presentation of total R&D expenses incurred by the Group. Comparative figures in the statement of comprehensive income have been changed from previous year to conform to current year's presentation.

† *comprises net currency exchange (losses) / gains principally due to unrealised translation differences arising from foreign currency deposits.*

n.m. : not meaningful
Incr/(Decr) : Increase / (Decrease)

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:

Loss before income tax of the Group is arrived at after charging/crediting the following:

		Group			Group		
		3 months ended			9 months ended		
	Note	31.03.18 S$'000	31.03.17 S$'000	Incr/ (Decr) %	31.03.18 S$'000	31.03.17 S$'000	Incr/ (Decr) %
After crediting:							
Research and development tax incentive	(i)	109	804	(86%)	843	1,699	(50%)
Interest income		60	23	161%	154	85	81%
After charging:							
Share based payment expense	(ii)	77	269	(71%)	333	239	39%
Depreciation and amortisation expense		362	330	10%	1,044	950	10%
Currency exchange losses/ (gains) - net		885	366	142%	1,696	(1,496)	n.m.
Interest expense		67	62	8%	201	180	12%

(i) The research and development (R&D) tax incentive is a programme administered jointly by the Australian Taxation Office and Innovation Australia which provides a rate of 43.5% refundable tax offset for expenditure incurred for eligible R&D activities.

(ii) The share based payment expense was due to amortisation of the fair value of the share options granted to employees over the vesting period. In 1Q17, a reversal of the fair value of share options amounting to S$0.44 million arose from forfeiture of certain share options due to resignation of an employee. This was partially offset by amortisation of new share awards granted on 30 September 2016 and 10 November 2017 which amounted to S$0.68 million and S$0.33 million in 9M17 and 9M18 respectively.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31.03.18 S$'000	30.06.17 S$'000	31.03.18 S$'000	30.06.17 S$'000
ASSETS				
Current assets				
Cash and cash equivalents	21,094	31,088	20,715	28,527
Trade and other receivables	3,316	2,973	4,810	2,957
Other current assets	240	521	108	166
Inventories	627	-	8	-
	25,277	34,582	25,641	31,650
Non-current assets				
Deposits – operating lease	79	79	79	79
Intangible assets	991	1,398	-	-
Property, plant and equipment	8,102	8,191	138	180
Investments in subsidiaries	-	-	5,404	5,404
	9,172	9,668	5,621	5,663
Total assets	34,449	44,250	31,262	37,313
LIABILITIES				
Current liabilities				
Trade and other payables	3,788	3,501	1,246	1,276
Borrowings	285	271	-	-
Provision	137	101	-	-
	4,210	3,873	1,246	1,276
Non-current liabilities				
Provision	55	65	-	-
Deferred government grant	21	35	-	-
Borrowings	4,319	4,480	-	-
Deferred income tax liabilities	77	172	-	-
	4,472	4,752	-	-
Total liabilities	8,682	8,625	1,246	1,276
NET ASSETS	25,767	35,625	30,016	36,037
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	71,129	70,131	71,129	70,131
Other reserves	512	646	122	787
Accumulated losses	(45,874)	(35,152)	(41,235)	(34,881)
Total equity	25,767	35,625	30,016	36,037

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

	31.03.18 S$'000	30.06.17 S$'000
Amount repayable in one year or less, or on demand		
- Secured	285	271
Amount repayable after one year		
- Secured	4,319	4,480
Total borrowings	4,604	4,751

Details of any collateral:

The loans are secured over land and building, certain plant and equipment and motor vehicles of subsidiaries of the Group.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group 3 months ended		Group 9 months ended	
	31.03.18 S$'000	**31.03.17 S$'000**	**31.03.18 S$'000**	**31.03.17 S$'000**
Cash flows from operating activities				
Total loss after tax	(4,299)	(2,895)	(10,721)	(4,345)
Adjustments for:				
- Deferred government grant income	(4)	(9)	(13)	(26)
- Depreciation and amortisation expense	362	330	1,044	950
- Income tax credit	(35)	(54)	(90)	(130)
- Interest income	(60)	(23)	(154)	(85)
- Interest expense	67	62	201	180
- Provision	26	2	19	(40)
- Research and development tax incentive	(109)	(804)	(843)	(1,699)
- Share based payment expense	77	269	333	239
- Unrealised currency exchange losses/(gains) – net	853	400	1,666	(1,411)
	(3,122)	(2,722)	(8,558)	(6,367)
Changes in working capital:				
- Trade and other receivables	141	63	380	142
- Other current assets	127	83	264	330
- Trade and other payables	529	788	407	366
- Inventories	(98)	-	(627)	-
Cash used in operations	(2,423)	(1,788)	(8,134)	(5,529)
Interest received	36	38	103	79
Research and development tax incentive received	-	-	-	1,410
Net cash used in operating activities	(2,387)	(1,750)	(8,031)	(4,040)
Cash flows from investing activities				
Additions to property, plant and equipment	(125)	(171)	(896)	(841)
Additions to intangible assets	(53)	(120)	(59)	(137)
Net cash used in investing activities	(178)	(291)	(955)	(978)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares and shares to be issued	-	-	-	4,698
Transaction costs paid pursuant to the rights issue	-	-	-	(135)
Repayment of borrowings	(63)	(76)	(219)	(190)
Proceeds from borrowings	-	-	308	388
Interest paid	(67)	(62)	(201)	(180)
Net cash (used in)/from financing activities	(130)	(138)	(112)	4,581
Net (decrease)/increase in cash and cash equivalents	(2,695)	(2,179)	(9,098)	(437)
Cash and cash equivalents				
Beginning of financial period	23,671	34,051	30,688	30,927
Effects of currency translation on cash and cash equivalents	(282)	(678)	(896)	704
End of financial period	20,694	31,194	20,694	31,194

Cash and cash equivalents comprise the following:	**Group 31.03.18 S$'000**
Cash and cash equivalents in Balance Sheet	21,094
Less: Bank deposits pledged	(400)
Cash and cash equivalents per consolidated statement of cash flows	20,694

Bank deposits are pledged as security for a foreign exchange facility.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Attributable to equity holders of the Company					
Group	**Share capital**	**Shares to be issued**	**Share based payment reserve**	**Currency translation reserve**	**Accumulated losses**	**Total equity**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At 1 July 2017	70,131	-	787	(141)	(35,152)	35,625
Loss for the period	-	-	-	-	(6,423)	(6,423)
Other comprehensive loss for the period	-	-	-	129	-	129
Total comprehensive loss for the period	-	-	-	129	(6,423)	(6,294)
Share based payment scheme						
- Value of employees' services		-	256	-	-	256
Shares issued pursuant to iX Performance Share Plan	998		(998)	-	-	-
Total transactions with owners, recognised directly in equity	998	-	(742)	-	-	256
At 31 December 2017	**71,129**	**-**	**45**	**(12)**	**(41,575)**	**29,587**
Loss for the period	-	-	-	-	(4,299)	(4,299)
Other comprehensive gain for the period	-	-	-	402	-	402
Total comprehensive loss for the period	-	-	-	402	(4,299)	(3,897)
Share based payment scheme - Value of employees' services	-	-	-	-	-	-
Shares issued pursuant to iX Performance Share Plan	-	-	77	-	-	77
Total transactions with owners, recognised directly in equity	-	-	77	-	-	77
At 31 March 2018	**71,129**	**-**	**122**	**390**	**(45,874)**	**25,767**
At 1 July 2016	64,998	465	444	46	(27,762)	38,191
Loss for the period	-	-	-	-	(1,450)	(1,450)
Other comprehensive loss for the period	-	-	-	(140)	-	(140)
Total comprehensive loss for the period	-	-	-	(140)	(1,450)	(1,590)
Share based payment scheme - Value of employees' services	-	-	414	-	-	414
- Reversal of share based payment	-	-	(444)	-	-	(444)
Shares issued pursuant to the rights issue, net of transaction costs	5,028	(465)	-	-	-	4,563
Shares issued pursuant to iX Performance Share Plan	105	-	(105)	-	-	-
Total transactions with owners, recognised directly in equity	5,133	(465)	(135)	-	-	4,533
At 31 December 2016	**70,131**	**-**	**309**	**(94)**	**(29,212)**	**41,134**
Loss for the period	-	-	-	-	(2,895)	(2,895)
Other comprehensive loss for the period	-	-	-	(111)	-	(111)
Total comprehensive loss for the period	-	-	-	(111)	(2,895)	(3,006)
Share based payment scheme - Value of employees' services	-	-	269	-	-	269
Shares issued pursuant to iX Performance Share Plan	-	-	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	269	-	-	269
At 31 March 2017	**70,131**	**-**	**578**	**(205)**	**(32,107)**	**38,397**

	Attributable to equity holders of the Company				
Company	**Share capital**	**Shares to be issued**	**Share based payment reserve**	**Accumulated losses**	**Total equity**
	S$'000	S$'000	S$'000	S$'000	S$'000
At 1 July 2017	70,131	-	787	(34,881)	36,037
Loss for the period	-	-	-	(4,053)	(4,053)
Total comprehensive loss for the period	-	-	-	(4,053)	(4,053)
Share based payment scheme					
- Value of employees' services	-	-	256	-	256
Shares issued pursuant to iX Performance Share Plan	998		(998)	-	-
Total transactions with owners, recognised directly in equity	998	-	(742)	-	256
At 31 December 2017	**71,129**	-	**45**	**(38,934)**	**32,240**
Loss for the period	-	-	-	(2,301)	(2,301)
Total comprehensive loss for the period	-	-	-	(2,301)	(2,301)
Share based payment scheme					
- Value of employees' services	-	-	-	-	-
Shares issued pursuant to iX Performance Share Plan	-	-	77	-	77
Total transactions with owners, recognised directly in equity	-	-	77	-	77
At 31 March 2018	**71,129**	-	**122**	**(41,235)**	**30,016**
At 1 July 2016	64,998	465	444	(27,606)	38,301
Loss for the period	-	-	-	(608)	(608)
Total comprehensive loss for the period	-	-	-	(608)	(608)
Share based payment scheme					
- Value of employees' services	-	-	414	-	414
- Reversal of share based payment	-	-	(444)	-	(444)
Shares issued pursuant to iX Performance Share Plan	105		(105)		-
Shares issued pursuant to the rights issue, net of transaction costs	5,028	(465)	-	-	4,563
Total transactions with owners, recognised directly in equity	5,133	(465)	(135)	-	4,533
At 31 December 2016	**70,131**	**-**	**309**	**(28,214)**	**42,226**
Loss for the period	-	-	-	(1,965)	(1,965)
Total comprehensive loss for the period	-	-	-	(1,965)	(1,965)
Share based payment scheme					
- Value of employees' services	-	-	269	-	269
Shares issued pursuant to iX Performance Share Plan	-	-		-	-
Total transactions with owners, recognised directly in equity	-	-	269	-	269
At 31 March 2017	**70,131**	**-**	**578**	**(30,179)**	**40,530**

Save for the foregoing, there are no (i) changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders.

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There are no other changes in the Company's share capital arising from any rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous reported period.

	Number of outstanding share awards / share options	Number of Shares that may be issued upon exercise of options / release of awards
As at 31 March 2018		
iX Performance Share Plan	1,398,000	1,398,000
As at 31 March 2017		
iX Performance Share Plan	3,171,000	3,171,000

There were no treasury shares and subsidiary holdings as at 31 March 2018 and 31 March 2017. The Company has not granted any options under iX Employee Share Option Scheme since its inception.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 31 March 2018, the number of issued shares excluding treasury shares was 642,695,724 (30 June 2017: 639,524,724).

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. There were no treasury shares during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. There were no subsidiary holdings during and as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the Company's auditor.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 30 June 2017.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has adopted all the applicable new and revised Financial Reporting Standards (FRS) and Interpretations of Financial Reporting Standards (INT FRS) that are mandatory for the accounting periods beginning on or after 1 July 2017. The adoption of these new and revised FRS and INT FRS did not result in any substantial change to the Group's and the Company's accounting policies and has no significant impact on the financial statements for the current financial reporting period.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:**
(a) based on the weighted average number of ordinary shares on issue; and
(b) on a fully diluted basis (detailing any adjustments made to the earnings).

	Group		Group	
	3 months ended		9 months ended	
	31.03.18	31.03.17	31.03.18	31.03.17
Net loss attributable to equity holders of the Company (S$'000)	(4,299)	(2,895)	(10,721)	(4,345)
Weighted average number of shares outstanding ('000)	642,696	639,525	641,631	638,035
Basic loss per share (Cents per share)	(0.7)	(0.5)	(1.7)	(0.7)

The Company has 1,398,000 share awards under iX Performance Share Plan (31 March 2017: 3,171,000 shares awards). As they were anti-dilutive and had the effect of decreasing the loss per share, they were not included in the calculation of diluted loss per share above. Accordingly, the basic loss per share and diluted loss per share were the same for the financial periods presented.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	31.03.18	30.06.17	31.03.18	30.06.17
Net asset value per ordinary share (in cents)	4.0	5.6	4.7	5.6

The net asset value per ordinary share of the Group and the Company as at 31 March 2018 were calculated based on the total number of issued shares of 642,695,724 (30 June 2017: 639,524,724).

There were no treasury shares as at 31 March 2018 and 30 June 2017.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Overview

The Group is a late-stage specialty pharmaceutical company focused on the development and commercialisation of innovative therapies for improving the quality of life of those suffering from pain and other health conditions. The Company leverages its drug formulation expertise and patented sublingual drug delivery technology, **WaferiX™**, to develop products for rapid onset of action with potentially more predictable effects and ease of use. The Group's nutraceuticals division, Entity Health, is engaged in the development and commercialisation of nutraceutical products that address specific health conditions and improve quality of lifestyles throughout all phases of life.

In addition, the Group operates a Therapeutic Goods Administration of Australia (TGA) licensed chemical testing laboratory in Australia. The laboratory provides analytical services comprising chemical testing, complex problem solving and quality assurance services for the food, environmental, pharmaceutical and clinical sectors.

During the quarter, the Group had been active in developing its pharmaceutical product pipeline and research and development (R&D) activities. The development status as at the end of 3Q18 is summarised below:

Products	Product Description	Development Status
Wafermine™	Sublingual ketamine for moderate to severe pain	Phase 2 Multiple-Dose Efficacy study in progress
PheoniX™	Sublingual sildenafil for the treatment of male erectile dysfunction	Filed for drug registration with TGA
XCalibur™	Oral sildenafil capsule for the treatment of male erectile dysfunction	Filed for drug registration with TGA
BnoX™	Sublingual buprenorphine for moderate to severe pain	Phase 1 pharmacokinetic (PK) study successfully completed

Additional information on each of the above are as follows:

Wafermine™

KET010, our phase 2 multi-dose efficacy study is a randomized, double-blind, placebo-controlled study to demonstrate the efficacy of Wafermine™ in patients experiencing acute pain on the day of bunionectomy or abdominoplasty surgery (Day 0 design) being conducted under an Investigational New Drug (IND) application with the US FDA (Food & Drug Administration).

During the quarter, a review of the interim, unblinded data on the first 25 subjects who underwent bunionectomy surgery in KET010 showed a strong early efficacy signal with a side-effect profile consistent with the known side-effects of ketamine. Given this strong efficacy signal, the iX scientific advisors and the Chief Scientific Officer of the clinical trial site recommended that we include a separate cohort of subjects who will undergo abdominoplasty surgery. This provides an expedient opportunity to evaluate the efficacy of Wafermine™ in a soft-tissue surgery pain model (as part of this one study) prior to the formal evaluation required during Phase 3 development. The modified study design was approved by the Institutional Review Board (IRB) in the USA. The cohort will consist of 40 abdominoplasty subjects and is being conducted concurrently with the bunionectomy cohort without affecting the current study timelines. As the abdominoplasty cohort is part of the KET010 study, we achieved significant cost savings than otherwise would have been the case if conducted as a separate study.

Background: As previously advised, to obtain marketing approval for the indication of acute moderate to severe pain with the US FDA, Wafermine™ is required to demonstrate efficacy in two separate Phase 3 studies, one in a bony surgical pain model (e.g. bunionectomy) and the other in a soft tissue surgery model (e.g. abdominoplasty).

PheoniX™

The Group completed its pivotal study confirming bioequivalence and good oral tolerability of PheoniX™ when compared with reference drug. Subsequently, the Group has submitted its application for drug registration with TGA. The application is currently under review. PheoniX™ is a novel sublingual delivery of sildenafil suitable for those who cannot or prefer not to swallow oral medications.

XCalibur™

Following the success of the study carried out on PheoniX™, we developed XCalibur™, a sildenafil drug delivered in an oral capsule for the treatment of male erectile dysfunction, at marginal cost to the Group. XCalibur™ is a generic version of Viagra and will compete in the growing male erectile dysfunction market globally. XCalibur™ is delivered as a novel, small capsule unlike existing sildenafil options in the market which are delivered in tablet form. The Group has submitted its application for drug registration with TGA. The application is currently under review.

BnoX™

The Group has successfully completed a Phase 1 PK study, BUP001, in 3Q17. The results of BUP001 were published in the prestigious American medical journal, Pain Medicine, in January 2018.

Review of performance for quarter (3Q18) and nine months (9M18) ended 31 March 2018

Revenue	3Q18	3Q17	Incr/ (Decr)	9M18	9M17	Incr/ (Decr)
	S$'000	S$'000	%	S$'000	S$'000	%
Chemical Analysis	1,357	1,479	(8)%	4,700	4,554	3%
Specialty Pharmaceutical	37	13	185%	74	40	85%
Nutraceuticals	57	-	n.m.	103	-	n.m.
Total revenue	**1,451**	**1,492**	**(3)%**	**4,877**	**4,594**	**6%**

The Group currently derives its main source of revenue from the chemical analysis business, which provides laboratory testing services. The segment recorded a revenue of S$1.36 million in 3Q18, a decrease of 8% as compared to S$1.48 million for the same quarter last year (3Q17). Lower laboratory testing revenue in this quarter was mainly due to the extended festive season during the quarter as compared to the corresponding quarter of the previous year. Laboratory testing revenue for 9M18 was S$4.70 million, an increase of 3% over S$4.55 million for the corresponding period last year (9M17).

The specialty pharmaceutical segment reported 185% growth in 3Q18 over 3Q17 and 54% over preceding quarter, 2Q18. Additionally, the Group's nutraceuticals division, Entity Health, launched 12 new nutraceutical products via its e-commerce portal (*www.entity-health.com*) in late November 2017 and derived a revenue of S$57,000 during the quarter, revenue since November 2017 was $103,000. It recorded a quarterly growth of 24% over preceding quarter, 2Q18.

Cost of sales, comprising mainly personnel and consumable expenses relating to provision of chemical analysis services, was S$1.3 million in 3Q18 as compared to S$0.96 million in 3Q17. In 9M18, cost of sales was S$3.67 million as compared to S$3.03 million in 9M17. The higher cost of sales was mainly due to increase in headcount in earlier quarters of FY2018. During this period, additional resources were assigned to the development, implementation and validation of information technology systems for the analytical laboratory. Once completed, these laboratory-wide systems, including a laboratory information management system (LIMS), will improve productivity

and are anticipated to result in operational cost reductions. Additionally, resources were directed in preparation for regulatory audits by the TGA and US FDA.

Accordingly, the Group recorded a gross profit of S$0.14 million or 10% of revenue in 3Q18 versus S$0.53 million or 35% of revenue in 3Q17. For the nine-month period, the Group recorded a gross profit of S$1.21 million or 25% of revenue in 9M18 versus S$1.56 million or 34% of revenue in 9M17.

Other income - Research and Development (R&D) Incentive

The Group conducts its R&D activities through its wholly-owned subsidiaries in Australia and has been eligible for R&D tax incentive under a programme administered jointly by the Australian Taxation Office and Innovation Australia. This incentive provides a rate of 43.5% refundable tax offset for eligible R&D expenditure incurred in Australia by these subsidiaries. The Group recognised a lower R&D incentive of S$0.11 million compared to S$0.80 million in 3Q17 due to mix of the eligible expenditure qualified for R&D incentive.

Expenses

The expense items in loss before tax were analysed below:

R&D expense

The Group undertook R&D activities in pharmaceutical product developments, including formulation and manufacturing for clinical trials.

R&D expense was S$1.6 million in 3Q18 as compared to S$1.91 million in 3Q17. For the nine-month period, R&D expense was S$4.72 million in 9M18 as compared to S$3.84 million in 9M17. The differences in the quarterly and year to date expenses were mainly due to timing and progress of various clinical trial studies undertaken during the respective periods. During 9M18, Phase 2 efficacy study of Wafermine™, KET010 has been progressing since 1Q18. Whereas, during 9M17, Phase 1 PK study of BnoX™ commenced and substantially completed in 3Q17.

Sales and marketing

The Group commenced commercialisation of its Entity Health nutraceutical products in late November 2017. Accordingly, sales and marketing expenses increased quarter over quarter, from S$0.27 million in 3Q17 to S$0.51 million in 3Q18. For 9M18, expense was up by 110%, or S$0.8 million to S$1.5 million. The increased expense was mainly in headcount and marketing efforts in product launch.

General and administrative (G&A)

G&A expense was S$1.6 million in 3Q18 as compared to S$1.7 million in 3Q17. The favourable variance was due to lower share-based payment expenses.

For 9M18, G&A expense was S$4.95 million as compared to S$4.65 million in 9M17. The increased expense was due to higher trademarks and patent registration filing costs of S$0.2 million and share-based payment expenses of S$0.1 million.

Others

Others consist solely of currency exchange gain/loss.

Currency exchange loss was S$0.89 million in 3Q18 as compared to a net loss of S$0.37 million in 3Q17. For 9M18, currency exchange loss was S$1.7 million as compared to a net gain of S$1.5 million in 9M17. This arose mainly from the currency fluctuations of the US and Australian dollars against the Singapore dollar for the Group's foreign currency denominated cash deposits and receivables from its subsidiaries.

Review of financial position

Except for items reviewed below, the balance sheet as at 31 March 2018 remained comparable to that as at 30 June 2017 (FY2017).

As at 31 March 2018, the Group's cash and cash equivalents was S$21.09 million. The decrease of S$10 million was mainly due to cash outflows in operating activities of S$8.03 million which included R&D expenses of S$4.72 million.

Trade and other receivables was S$3.32 million, an increase of S$0.34 million mainly due to additional accrued R&D incentive receivable offset by lower trade receivables.

Inventories of S$0.62 million comprised raw materials of S$0.50 million and finished goods of S$0.12 million, principally related to our new nutraceutical products.

Property, plant and equipment was S$8.10 million as compared to S$8.19 million in FY2017. The decrease was attributed to S$0.9 million in additions which was mainly for laboratory testing and manufacturing equipment and offset by depreciation of S$0.6 million. Intangible assets decreased from S$1.40 million to S$0.99 million, due to amortisation of S$0.40 million offset by additions of new software of S$0.06 million.

Cash flow analysis

During 3Q18, the Group recorded a net cash used in operating activities of S$2.39 million as compared to S$1.75 million in 3Q17, which was mainly due to the timing and progress of clinical trials and sales & marketing activities in preparation of product launches for nutraceutical products.

In the same quarter, the Group invested S$0.18 million in new software and plant & equipment principally for laboratory testing and manufacturing purposes.

Net cash used in financing activities which amounted to S$0.13 million in 3Q18 was the repayment of interest and borrowings arising from bank borrowings by a wholly-owned subsidiary to refinance its plant and equipment.

During 9M18, the Group recorded a net cash used in operating activities of S$8.03 million as compared to S$4.04 million in 9M17, which was mainly due to the timing and progress of clinical trials, receipts from R&D tax incentive and sales & marketing activities in preparation of nutraceutical products launch.

In the nine-month period, the Group invested S$1.0 million in new software and plant & equipment principally for laboratory testing and manufacturing purposes.

Net cash used in financing activities of S$0.11 million in 9M18 was mainly due to the repayment of interest and borrowings as compared to S$4.58 million net cash from financing activities in 9M17, which was mainly derived from issuance of new shares in FY2017.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable. No forecast or prospect statement had been previously disclosed to shareholders for the current reporting period.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Our clinical studies and major operations are conducted mostly in the United States and Australia, hence fluctuations in USD and AUD currencies will have a financial impact on the Group. The Group will continue to monitor closely the global currency trends and the impact of the foreign exchange fluctuations on its financial position and take risk management measures where appropriate.

The timing and progress of our clinical studies may impact our research and development expenses over the next 12 months. KET010 is progressing well with its primary objective to demonstrate the multi-dose efficacy of Wafermine™ in pain suppression when compared to a placebo in subjects undergoing either bony surgery (i.e. bunionectomy) or soft-tissue surgery (i.e.

abdominoplasty). Top-line efficacy and safety results are anticipated in third quarter of this calendar year.

The Group has two pharmaceutical products, PheoniX™ and XCalibur™, under review at the Therapeutic Goods Administration (TGA) in Australia. The outcome of both these applications is anticipated by the end of this calendar year.

In late November 2017, Entity Health, the Group's nutraceutical business unit, launched a new line of health supplement products for sale in Singapore on its website at www.entity-health.com. Unlike many of the health supplement products on the market which focus on replenishing deficiencies in nutrition and diet, Entity nutraceuticals are the next generation of health supplements which are uniquely positioned between nutrition and therapy. Entity products are developed by its team of PhD scientists based on compelling scientific and clinical research, formulated with premium grade extracts, and designed to address specific health conditions associated with ageing and lifestyle pursuits. The powerful combination of science and nature in Entity products supports DNA and cellular repair, promotes skin fairness and skin protection, and improves joint and brain health, among others.

Since its launch, the Group has received enthusiastic feedback from healthcare professionals who recognise Entity's innovative approach to preventative healthcare. As at the end of April 2018, Entity has strategically and tactically selected 15 pharmacies in major Australian cities of Melbourne, Sydney and Perth for its initial launch in Australia. These pharmacies include some of the larger premium pharmacy chains in Australia such as Priceline Pharmacy and TerryWhite Chemmart. This development supports Entity's push to establish itself as a home-grown Australian brand and is important in raising its profile and credibility with consumers from other parts of the world who associate high quality health supplements with Australian brands.

Apart from the above, Entity Health has also made strides in expanding its online consumer reach. In April 2018, Entity's website (www.entity-health.com) commenced international sales and delivery, allowing consumers from all over the world, and crucially from important markets such as China and the United States, to purchase its breakthrough nutraceuticals. The Group has also partnered with third party resellers such as Lazada and Aladdin Street (a premium Halal e-commerce platform) to make Entity products available on their platforms.

Over the next 12 months, marketing campaigns for these products will be rolled out in Australia and Singapore. The Group will also continue to expand the list of stockists carrying Entity products across the region.

The Group previously announced that it had entered into its first out-licensing agreement with ASX-listed Bod Australia Limited (Bod Australia), under which the Group licensed its WaferiX™ technology for the development of medicinal cannabis products incorporating cannabis extracts provided by Bod Australia. The drug development programme of the medicinal cannabis products for Bod Australia is progressing well. The Group anticipates delivery of the Investigative Product (IP) to Bod Australia in the first quarter of FY2019 for their Phase 1 clinical trial.

In February 2018, amendments were made to the Narcotic Drugs Regulation 2016 of Australia to, among others, implement a licensing and permit scheme that regulates the cultivation of cannabis and to permit the manufacture and export of medicinal cannabis products. The Group's manufacturing facility in Victoria, Australia, has obtained the necessary permit and licence to manufacture and export medicinal cannabis products.

11. If a decision regarding dividend has been made:
(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

No dividend has been declared or recommended for the current reporting period.

(b)(i) Amount per share (cents)

Not applicable.

(b)(ii) Previous corresponding period (cents)

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable

Not applicable.

(e) Books closure date

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared or recommended for the current reporting period.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a general mandate for interested person transactions.

14. Use of Proceeds

(a) Initial Public Offer

Pursuant to the IPO, the Company received total proceeds of S$30.13 million (IPO Proceeds). As at 31 March 2018, the IPO Proceeds has been utilised as follows:

	Amount allocated	Amount utilised	Balance
	S$'000	S$'000	S$'000
To fund the clinical trials for the development of our products, and for preparing and submitting an Abbreviated New Drug Application or New Drug Application as the case may be, to the US Food and Drug Administration for marketing approval and commercialisation of our products in the United States, and where it is commercially viable to do so, in other parts of the world upon receipt of the relevant regulatory approvals	26,200	(9,886)	16,314
General working capital purposes	1,413	(1,413)	-
Listing expenses	2,517	(2,517)	-
Total	**30,130**	**(13,816)**	**16,314**

Details of working capital used:

	S$'000
Professional fees	326
Payroll and directors' fees	755
Trademark and patents	67
Rental, office expenditure and other operating expenses	265
Total	**1,413**

The above utilisation of the Company's IPO Proceeds is in accordance with the intended use as stated in the Offer Document dated 10 July 2015.

(b) Private Placement

Pursuant to the private placement of 14,358,000 shares on 21 April 2016, the Company received net proceeds of S$4.85 million (Placement Proceeds). As at 31 March 2018, the Placement Proceeds has been utilised as follows:

	Amount allocated	Amount utilised	Balance
	S$'000	S$'000	S$'000
Registration of the Company's products with appropriate agencies for approval to sell the products, and for marketing of the Company's products	3,849	(2,597)	1,252
Acquisition of new product packaging equipment	1,000	(773)	227
Total	**4,849**	**(3,370)**	**1,479**

The above utilisation of the Company's Placement Proceeds is in accordance with the intended use as stated in the Company's announcement dated 14 April 2016.

(c) Rights Issue

Pursuant to the rights issue of 24,584,284 shares on 22 July 2016, the Company received net proceeds of S$5.03 million (Rights Proceeds). As at 31 March 2018, the Rights Proceeds has been utilised as follows:

	Amount allocated	Amount utilised	Balance
	S$'000	S$'000	S$'000
Development of the Company's pipeline products (including undertaking clinical trials and registration of such products with appropriate agencies for marketing approval) and for marketing of the Company's products	4,028	(2,593)	1,435
Acquisition of new product packaging equipment	1,000	-	1,000
Total	**5,028**	**(2,593)**	**2,435**

The above utilisation of the Company's Rights Proceeds is in accordance with the intended use as stated in the Company's Offer Information Statement dated 24 June 2016.

15. Negative confirmation pursuant to Rule 705(5) of the listing manual.

The Board of Directors of the Company confirm that to the best of their knowledge, nothing has come to their attention which may render the financial results for the period ended 31 March 2018 to be false or misleading in any material aspect.

16. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the listing manual.

The Company has procured undertakings from all its Directors and executive officers under Rule 720(1).

On behalf of the Board of Directors

Eddy Lee Yip Hang
Chairman & CEO

Albert Ho Shing Tung
Non-executive Director

9 May 2018

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "Sponsor"), for compliance with the relevant rules of the SGX-ST, this being the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this announcement, including the correctness of any the figures used, statements or opinions made.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr. Yee Chia Hsing, Head, Catalist. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone: (65) 6337-5115.